

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-08  
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TREAS DEPT WASHDC  
INFO ALL EC CAPITALS

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USEEC ALSO FOR EMBASSY; PARIS ALSO FOR USOECD

E.O. 11652: N/A  
TAGS: EFL, IT  
SUBJ: VISIT OF EC/COMMISSION PRESIDENT ROY JENKINS TO ROME

1. SUMMARY. ACCORDING TO PRESS COVERAGE, PRIME MINISTER ANDREOTTI TOLD EC PRESIDENT ROY JENKINS DURING LATTER'S VISIT TO ROME ON SEPTEMBER 7 THAT ITALY WOULD NOT INTERPOSE INSURMOUNTABLE TECHNICAL OBJECTIONS TO MECHANISM OF PROPOSED EC MONETARY UNION IF COMMUNITY WOULD ACCEPT ITALIAN REQUESTS IN AREAS OF AGRICULTURAL, REGIONAL AND SOCIAL POLICY. END SUMMARY.

2. PRIME MINISTER ANDREOTTI MET WITH JENKINS IN THE PRESENCE OF FOREIGN MINISTER FOLARNI AND MINISTER OF TREASURY (PANDOLFI), FOREIGN TRADE (OSSOLA) AND FINANCE (MALFATTI). THEY REPORTEDLY DISCUSSED EUROPEAN MONETARY INTEGRATION AND EC ENLARGEMENT.

3. ANDREOTTI WAS QUOTED AS TELLING JENKINS THAT "ONLY WITH MORE SUBSTANTIAL TRANSFERS OF REAL RESOURCES, WITH ADDITIONAL ALLOCATIONS FOR AGRICULTURE, AND WITH GREATER GUARANTEES ON SOCIAL AND REGIONAL POLICY, WILL THE TEMPORARILY WEAKER COUNTRIES BE ABLE TO MAINTAIN THEIR FULL STANDING IN A  
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MONETARILY STABLE EUROPE." JENKINS REPORTEDLY WAS NOT VERY FORTHCOMING IN HIS REPLY TO ANDREOTTI. "LA REPUBBLICA" QUOTED HIM AS SAYING, "I HAVE LISTENED TO ANDREOTTI AND HAVE TAKEN NOTE OF HIS REQUESTS." "LA STAMPA" REPORTED JENKINS AS SAYING, "CERTAINLY, THE NEW MONETARY SYSTEM COULD BE ESTABLISHED WITHOUT ITALY. WE KNOW, HOWEVER, THAT IN SUCH A CASE EUROPE WOULD COME OUT WEAKER."

4. ON THE TECHNICAL SIDE OF EUROPEAN MONETARY INTEGRATION, THE ITALIAN STANCE IS REPORTED TO BE A GENERAL READINESS TO PARTICIPATE PROVIDED THAT AN AGREEMENT BASED ON THE FRENCH FORMULA CAN BE REACHED. THE FRENCH FORMULA IS, IN TURN, CHARACTERIZED AS CONSISTING OF THREE POINTS: GUADUALISM IN BRINGING THE NINE CURRENCIES CLOSER TOGETHER; WIDER MARGINS IN THE BEGINNING FOR CURRENCIES NOT CURRENTLY IN THE SNAKE (I.E., THOSE OF ITALY, U.K., IRELAND AND FRANCE); AND A EUROPEAN MONETARY FUND WITH EFFECTIVE POWER FROM THE START, EVEN BEFORE ITS FORMAL ESTABLISHMENT WITHIN TWO YEARS. THE MARGIN OF FLUCTUATION THE ITALIANS WOULD REPORTEDLY ACCEPT IS 4 PERCENT. THE KEY POINT FOR THE ITALINS, HOWEVER, IS SUPPOSED TO BE THE TERMS OF REFERENCE FOR STABILIZING RATE FLUCTUATIONS. ITALY PREFERS THAT THE POINT OF REFERENCE BE DEFINED IN TERMS "EFFECTIVE" EXCHANGE RATES, I.E., A TRADE-WEIGHTED BASKET OF CURRENCIES, WHEREAS THE GERMANS ARE SUPPOSED TO WANT MARKET RATES TO BE THE BASIS FOR STABILIZATION. COMMENT: THESE DIFFERENCES OF VIEW ON DEFINING THE REFERENCE RATE MAY REFLECT, IN PART, THE RELATIVE IMPORTANCE CURRENT AS COMPARED TO CAPITAL TRANSACTIONS ARE SEEN TO PLAY IN EXCHANGE RATE INSTABILITY. THE ITALIANS APPEAR TO ATTRIBUTE MORE IMPORTANCE TO CURRENT TRANSACTIONS AND SO PREFER THE "EFFECTIVE" EXCHANGE RATE REFERENCE POINT.HOLMES

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## Message Attributes

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